



# Public Service Commission of Wisconsin

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## Increased Fuel and Capital Costs Drive We Energies' Rates

MADISON - Today, the Public Service Commission of Wisconsin (PSC) reviewed We Energies' request to increase electric and gas rates. Increased natural gas costs, costs to construct power plants in Port Washington and Oak Creek, and transmission construction and operation costs to meet growing energy needs were major factors driving the request.

Over 97 percent of the rate increase was due to construction costs for new energy projects to meet increased demand and the increased cost of fuels, especially natural gas. Natural gas prices have increased dramatically over the past few years and have recently spiked. Natural gas is an unregulated commodity and utilities largely pass these costs directly through to their customers.

In opening comments today, the Commissioners pointed out that natural gas prices are taking a toll on Wisconsin's economy. Wisconsin ratepayers will be paying almost \$500 million more a year in electric rates as a direct result of run away natural gas prices.

In this rate case, We Energies filed data to support \$281 million more in electric rates. However, the company asked to recover only \$143 million in rates for costs for specific reliability-related areas: a renewable energy program, American Transmission Company transmission charges and construction costs for new power plants. Since the time the company filed for the rate change, increasing natural gas prices added \$90 million to the request, or a total increase of \$256 million.

In a verbal decision today, the Commission approved an increase of \$226 million or 10.8 percent in electric rates for We Energies. The Commission also approved an increase of \$41 million or a 4.0 percent increase for gas service from Wisconsin Gas Company and an increase of \$21 million or a 2.8 percent increase for gas service from Wisconsin Electric Gas Operations, both affiliates of We Energies.

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In addition, the Commission took the following steps to help Wisconsin's energy consumers:

- The Commission set a return on equity for We Energies shareholders of 11.2 percent, lower than the 12.2 percent proposed by the utility. The Commission also recommended that the company explore a pilot program to allow ratepayers to share in savings earned by the company that are over the approved rate of return.
- The Commission approved two renewable energy pilot programs, one for electricity generated from bio-mass and one for electricity generated from wind to provide customers broader access to Wisconsin's home-grown, sustainable energy sources, reducing reliance on natural gas for producing electricity.
- The Commission approved a plan for the utility to immediately refund any over-collection of fuel costs to ratepayers. Currently, refunds are provided only after fuel costs fall outside a pre-set range and a fuel rate case is conducted by the PSC

Under today's decision, the average residential We Energies customer will see a monthly increase of approximately \$6.90 for electric service and \$2.75 for gas service.

The Commission will issue a written order to finalize the rates approved in today's decision. The new rates become effective after the written order is issued.

When a utility requests a change in rates, the PSC conducts a thorough audit of the utility's forecasted expenses and revenues. The agency looked at the amount We Energies needs to provide a reliable source of energy to customers, which includes costs for maintenance, new construction, fuels, environmental protection and employee wages.

We Energies filed its application for a rate increase in June 2005 and updated its request in October. Public hearings were held in November in Madison, Milwaukee, Pewaukee and Racine. The testimony provided at the hearings was part of the record the Commission reviewed as it considered all the aspects of the application.

The documents associated with We Energies' application can be viewed on the PSC's Electronic Regulatory Filing System at <http://psc.wi.gov/>. Type case number 5-UR-102 in the boxes provided on the PSC homepage or click on Electronic Regulatory Filing System button.

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